

## DON'T PUNISH TAXPAYERS FOR URBAN WOES

The Bush Administration and congressional leaders, in response to the Los Angeles riots, are developing a bipartisan package of programs intended to deal with the problems of America's inner cities. Among the components sought by the Administration are \$500 million for the "Weed and Seed" project, which would tackle rampant crime; \$1 billion for the HOPE program, which would foster homeownership by low-income Americans; and some \$2 billion in tax relief for urban enterprise zones, in which reduced taxes and streamlined regulation would spur the creation of new businesses.

Typically, many lawmakers in Congress say higher taxes are needed to finance this initiative. Yet this means penalizing job creation in one part of the private economy to create jobs elsewhere. Instead, Congress should consider cuts in wasteful government spending as the way to fund the urban programs.

To find ways of eliminating wasteful spending, Congress need look no further than its own research bodies, the Congressional Budget Office (CBO) and the General Accounting Office (GAO). For example, the 1992 edition of CBO's annual survey, *Reducing the Deficit: Spending and Revenue Options*, outlines over 160 different program reforms that would yield savings of nearly \$675 billion over five years. And a recent GAO publication also suggests hundreds of spending cut options, with total five-year savings of over \$700 billion. The entire urban initiative, by contrast, would cost less than \$4 billion.

Calls for new taxes to finance the urban package thus are unnecessary. Just the following twelve recommendations made by Congress's own advisors in fact would save nearly \$4.3 billion in the first year of implementation and about \$53 billion over the next five years—more than enough money to finance the Administration's inner-city initiatives.

- ◆ **Cancel or delay funding for the Super Conducting Supercollider.** The cost of this project, which the Department of Energy consistently has under-estimated, is now put at over \$12 billion. This will make it the world's most expensive public works project.  
Savings: \$100 million in the first year and \$2.2 billion over five years.
- ◆ **Cancel or delay funding for the Space Station.** The \$30 billion to \$40 billion price tag of this project likely will exceed the expected benefits. Furthermore, private firms can provide smaller, unmanned mini-stations that could handle most scientific experiments for a fraction of the cost of NASA's stations.  
Savings: \$1.05 billion in the first year and \$9.7 billion over five years.
- ◆ **Reduce the loan subsidies to private utilities by the Rural Electrification Administration (REA).** The REA long ago completed its Depression-era mission of electrifying rural America. Today nearly 100 percent of rural America has electric service and nearly 98 percent has telephone service. Yet these private utilities still receive about \$2 billion in subsidized loans annually.  
Savings: \$30 million in the first year and \$590 million over five years.
- ◆ **Recover in full, through user fees, the Army Corps of Engineers' costs to operate and maintain the inland waterway system.** The Corps spends some \$400 million annually operating this system. Taxpayers, not users, such as recreational boaters and barge operators, currently pick up this expense.  
Savings: \$350 million in the first year and \$1.9 billion over five years.

- ◆ **Lower the government-established target prices for subsidized crops by three percent annually.** The government gives cash payments, called deficiency payments, to farmers to make up the difference between the market price for a commodity and the target—or minimum allowable price set by Congress. Lowering the target prices would encourage farmers to produce crops to meet market demand, rather than in response to excessive subsidies. This change also would lower the cost of food to consumers, who now pay more than \$10 billion annually in higher food prices because of target prices. **Savings:** \$440 million in the first year and \$13.25 billion over five years.
- ◆ **Eliminate the honey, wool, and mohair subsidies.** The GAO calls these the “dinosaurs” of agriculture programs because they have long outlived their missions and usefulness. **Savings:** \$20 million in the first year and \$795 million over five years.
- ◆ **Eliminate the Market Promotion Program.** This subsidizes foreign advertising for private U.S. businesses such as McDonald’s Corporation, Pillsbury Company, and Ernest and Julio Gallo Winery, Inc. **Savings:** \$100 million in the first year and \$900 million over five years.
- ◆ **End federal subsidies to AMTRAK.** Since 1971, AMTRAK has received about \$15 billion in taxpayer subsidies even though the rail carrier accounts for less than 1 percent of all inter-city travel mileage. **Savings:** \$450 million in the first year and \$2.66 billion over five years.
- ◆ **Eliminate airport grants-in-aid.** Federal support for airports represents only a small portion of the total amount spent by all airports for construction and improvements. If these grants were eliminated, most of the 100 largest U.S. airports—which serve over 90 percent of all air travelers—would have little trouble financing their own improvements or expansions out of fees or through bonds. CBO estimates that passenger facility charges at airports could be leveraged to support over \$12 billion in borrowing. **Savings:** \$530 million in the first year and \$5.9 billion over five years.
- ◆ **Reduce the amount of overhead and administrative costs covered by federal research grants to universities.** The lion’s share of federal research grants should fund research, not extraneous expenses such as parking lots and building maintenance. **Savings:** \$330 million in the first year and \$3.4 billion over five years.
- ◆ **Eliminate Environmental Protection Agency wastewater treatment construction grants.** This twenty-year old program was intended to be temporary but so far has cost over \$55 billion. According to the CBO, ending all new funding after 1992 would have little effect on water quality efforts because the construction grants have done little to stimulate spending on wastewater treatment. In some cases this program actually has delayed local projects and increased total costs, because the easy availability of federal funds encouraged some cities to build facilities far larger than needed. **Savings:** \$90 million in the first year and \$5.9 billion over five years.
- ◆ **Repeal the 1931 Davis-Bacon Act.** This act forces contractors to pay the “prevailing wage” to all workers on federally-funded construction projects. In practice this means the union rate must be paid. When the legislation was enacted, the general purpose was to keep black workers off federal construction sites. That is precisely what it has done in large part during the last sixty years. The reason is that artificially high wage rates for federal projects make it uneconomical to recruit lower-skilled local workers, who are disproportionately minority Americans. **Savings:** \$800 million in the first year and \$5.7 billion over five years.

There is a simple choice awaiting lawmakers. If they really want to address the problems of America’s inner cities without destroying jobs in other communities, they can finance the Bush initiative by cutting wasteful federal spending programs. All Congress need do is select from the options proposed by its own research staff. If, on the other hand, lawmakers prefer to keep wasteful programs in place, while using the initiative as an excuse to reach deeper into the pockets of taxpayers, they can continue to claim that new taxes are needed to help the inner cities.

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